

**CATTLE MARKETING DEDUCTIONS FUND**

**FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2007**



SASKATCHEWAN

## Provincial Auditor Saskatchewan

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### AUDITOR'S REPORT

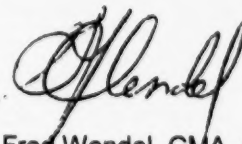
To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Cattle Marketing Deductions Fund as at March 31, 2007 and the statements of revenues, expenses and changes in net financial assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2007 and the results of its operations, the changes in its net assets, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan  
July 19, 2007



Fred Wendel, CMA, CA  
Provincial Auditor

**CATTLE MARKETING DEDUCTIONS FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As at March 31**

	Provincial Account		National Account		Federal Levies Account				Totals	
	2007	2006	2007	2006	Provincial Federal Levies		National Federal Levies		2007	2006
<b>Financial Assets</b>										
Due from General Revenue Fund (Note 7)	\$ 5,527,767	\$ 5,369,225	\$ 374,646	\$ 447,491	\$ 29,831	\$ 42,424	\$ 31,384	\$ 44,644	\$ 5,963,628	\$ 5,903,784
Accounts receivable	266,356	189,174	257,537	194,657	16,597	22,536	17,475	23,710	557,965	430,077
Accrued interest receivable	63,923	50,049	—	—	—	—	—	—	63,923	50,049
	<u>5,858,046</u>	<u>5,608,448</u>	<u>632,183</u>	<u>642,148</u>	<u>46,428</u>	<u>64,960</u>	<u>48,859</u>	<u>68,354</u>	<u>6,585,516</u>	<u>6,383,910</u>
<b>Liabilities</b>										
Grants payable	182,647	144,892	—	—	—	—	—	—	182,647	144,892
Accounts payable	19,502	43,372	374,646	447,491	29,831	42,424	31,384	44,644	455,363	577,931
	<u>202,149</u>	<u>188,264</u>	<u>374,646</u>	<u>447,491</u>	<u>29,831</u>	<u>42,424</u>	<u>31,384</u>	<u>44,644</u>	<u>638,010</u>	<u>722,823</u>
<b>Net financial assets (Statement 2)</b>	<u>\$ 5,655,897</u>	<u>\$ 5,420,184</u>	<u>\$ 257,537</u>	<u>\$ 194,657</u>	<u>\$ 16,597</u>	<u>\$ 22,536</u>	<u>\$ 17,475</u>	<u>\$ 23,710</u>	<u>\$ 5,947,506</u>	<u>\$ 5,661,087</u>

(See accompanying notes to the financial statements)

**CATTLE MARKETING DEDUCTIONS FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FINANCIAL ASSETS**  
**Year Ended March 31**

	<u>Budget</u>	<u>Provincial Account</u>		<u>National Account</u>		<u>Federal Levies Account</u>				<u>Totals</u>	
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>Provincial Federal Levies</u>		<u>National Federal Levies</u>		<u>2007</u>	<u>2006</u>
	(Note 5)					<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>		
<b>Revenues</b>											
Deductions (Note 1)	\$ 1,400,000	\$ 1,631,795	\$ 1,708,330	\$ 1,460,266	\$ 1,611,751	\$ 124,820	\$ 116,904	\$ 124,820	\$ 116,904	\$ 3,341,701	\$ 3,553,889
Less: Commissions	(42,000)	(42,421)	(46,641)	—	—	(3,701)	(3,476)	—	—	(46,122)	(50,117)
Refund of deductions	(90,000)	(101,531)	(83,730)	—	—	—	—	—	—	(101,531)	(83,730)
Administration fee	—	—	—	—	—	(2,497)	(2,338)	—	—	(2,497)	(2,338)
Net deductions	1,268,000	1,487,843	1,577,959	1,460,266	1,611,751	118,622	111,090	124,820	116,904	3,191,551	3,417,704
Interest (Note 7)	110,000	235,711	149,713	—	—	—	—	—	—	235,711	149,713
Total revenues	1,378,000	1,723,554	1,727,672	1,460,266	1,611,751	118,622	111,090	124,820	116,904	3,427,262	3,567,417
<b>Expenses</b>											
Grants	1,300,000	1,455,376	1,124,440	1,397,319	1,564,687	—	—	—	—	2,852,695	2,689,127
Administration (Note 3)	25,500	25,000	25,000	—	—	—	—	—	—	25,000	25,000
Advisory committee honoraria and travel	5,000	6,771	6,485	—	—	—	—	—	—	6,771	6,485
Transfers	—	—	—	—	—	124,561	88,554	131,055	93,194	255,616	181,748
Other	—	694	361	67	—	—	—	—	—	761	361
Total expenses	1,330,500	1,487,841	1,156,286	1,397,386	1,564,687	124,561	88,554	131,055	93,194	3,140,843	2,902,721
Surplus (deficit) for the year	\$ 47,500	235,713	571,386	62,880	47,064	(5,939)	22,536	(6,235)	23,710	286,419	664,696
Net financial assets, beginning of year		5,420,184	4,848,798	194,657	147,593	22,536	—	23,710	—	5,661,087	4,996,391
Net financial assets, end of year (Statement 1)		\$ 5,655,897	\$ 5,420,184	\$ 257,537	\$ 194,657	\$ 16,597	\$ 22,536	\$ 17,475	\$ 23,710	\$ 5,947,506	\$ 5,661,087

(See accompanying notes to the financial statements)

**CATTLE MARKETING DEDUCTIONS FUND**  
**STATEMENT OF CASH FLOWS**  
**Year Ended March 31**

	<u>2007</u>	<u>2006</u>
Cash flows from (used in) operating activities:		
Receipts from deductions	\$ 3,165,195	\$ 3,362,148
Interest received	221,838	132,610
Grant refund received	52,902	---
Payments to suppliers	(32,531)	(30,135)
Grants and transfer payments	(3,222,155)	(3,242,105)
Refunds paid	<u>(125,405)</u>	<u>(68,872)</u>
Cash flows from operating activities	<u>59,844</u>	<u>153,646</u>
Net increase in cash and cash equivalents	59,844	153,646
Due from General Revenue Fund, beginning of year	<u>5,903,784</u>	<u>5,750,138</u>
Due from General Revenue Fund, end of year	<u>\$ 5,963,628</u>	<u>\$ 5,903,784</u>

(See accompanying notes to the financial statements)



**CATTLE MARKETING DEDUCTIONS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2007**

**1. Legislative Authority**

The Cattle Marketing Deductions Fund (Fund) continues under *The Cattle Marketing Deductions Act, 1998* (Act). The Act established two accounts, the Provincial Account and the National Account in 1998. In 2005, amendments to the Act were proclaimed to recognize the Canadian Beef Cattle Research, Market Development and Promotion Agency (Agency) as the promotion-research agency and to set up a Federal Levies Account. The province of Saskatchewan signed both an agency and a services agreement with the Agency to support the collection and remittance of funds from the National Account and the Federal Levies Account. These agreements also allow the Agency to return Saskatchewan's provincial portion of the federal levies collected in other provinces, which are deposited in the Provincial Account. These changes became effective in Saskatchewan on August 1, 2005.

The purpose of the Provincial Account is to fund programs, projects, and policies related to the development, improvement and promotion of the cattle industry and to pay expenses incurred in the administration of the Act.

The purpose of the National Account is to provide funds, under a services agreement, to the Agency established pursuant to the *Farm Products Agencies Act* (Canada) for the development, expansion, and promotion of the cattle industry. Until July 31, 2005, the Act also allowed the Minister of Agriculture and Food (Minister) to provide grants for promotion and research, through negotiated agreements, to organizations that represented the national interests of the cattle industry.

The purpose of the Federal Levies Account is for depositing levies imposed pursuant to a federal levies order and allowing those levies to be remitted to the Agency per the agency agreement. Dealer commissions of \$0.03 per head and administration fees of \$0.02 per head are deducted from remittances to the Agency.

The Fund has an Advisory Committee, appointed by the Minister that approves all grant payments.

Pursuant to section 3 of *The Cattle Marketing Deductions Regulations, 2004*, \$2.00 per head is to be deducted or collected for each head of cattle sold. A livestock dealer that makes the deduction receives a commission of \$0.03 per head. The National Account receives \$1.00 a head without any deduction for the dealer's commission.

Section 12 of the Act provides for the refund of deductions received by the Provincial Account only. Any person may claim a refund of deductions for a calendar year by filing a claim by January 31 of the following year.

## **2. Significant Accounting Policies**

The financial statements are prepared in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. The following accounting policies are considered significant.

### **a) Revenue**

Deductions revenue and related commissions are recognized when the cattle are sold.

Refunds of deductions are recognized when the refund application is approved by the Department of Agriculture and Food.

### **b) Grants**

Grants are recorded when approved and when the eligibility criteria, if any, have been met by the recipient.

### **c) Use of estimates**

These statements are prepared in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accounts. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Differences are reflected in current operations when identified.

## **3. Related Party Transactions**

These financial statements include transactions with related parties. The Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

The Fund made grants totalling \$295,450 (2006 - \$248,000) to the University of Saskatchewan, and \$23,000 (2006 - nil) to Prairie Agricultural Machinery Institute.

The Livestock Services Revolving Fund provided administrative services to the Fund for an annual fee of \$25,000 (2006 - \$25,000).

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.



#### **4. Commitments**

At year end, the Fund's Advisory Committee had approved grants from the Provincial Account totalling \$2,152,988 (2006 - \$1,322,876) for projects of the following years.

2008	\$1,480,988
2009	\$ 336,000
2010	\$ 336,000

Included in these amounts is \$978,180 committed to the University of Saskatchewan for 2008, 2009 and 2010. Also, the Fund is committed to pay any monies received by the National Account to the Canadian Beef Cattle Research, Market Development and Promotion Agency.

#### **5. Budget**

The Advisory Committee approved the 2007 budget for the Provincial Account on January 20, 2006.

#### **6. Financial Instruments**

Accounts receivable, accrued interest receivable, grants payable, and accounts payable are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the fair values of these instruments approximate their carrying values.

The Fund is exposed to credit risk from potential non-payment of accounts receivable. However, most of the receivables were collected shortly after year-end, reducing its credit risk.

#### **7. Due from General Revenue Fund**

The Fund's money is held in the General Revenue Fund. Interest is calculated on the Fund's daily balance using the Government's thirty-day borrowing rate and is credited to the Provincial Account on a quarterly basis. The Government's average thirty-day borrowing rate for 2007 was 4.15% (2006 - 2.82%).

#### **8. Comparative Figures**

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

**CATTLE MARKETING DEDUCTIONS FUND  
DETAILED LIST OF EXPENSES (UNAUDITED)  
Year Ended March 31**

	<u>2007</u>	<u>2006</u>
<u>Personal Services</u>		
Payees under \$50,000	\$ 1,855	\$ 1,912
<u>Travel</u>		
Other	<u>4,916</u>	<u>4,573</u>
<u>Grants and Transfers</u>		
Canadian Cattlemen's Association:		
National Beef Information Centre	---	199,842
Beef Cattle Research Council	---	39,968
Operating Expenses	512,591	224,494
Special Assessment	210,097	323,190
University of Saskatchewan:		
Vaccine and Infectious Disease Organization	205,000	205,000
Project Funding	90,450	43,000
Canada Beef Export Federation	---	159,873
Deep South Animal Clinic Ltd.	33,045	---
Canadian Beef Cattle Research Development	1,652,935	1,346,752
Saskatchewan Meat Processors Association	---	500
Farm Animal Council of Saskatchewan	10,000	10,000
Saskatchewan Cattle Feeders' Association	101,600	90,220
Saskatchewan Stock Growers' Association	194,925	112,500
Prairie Agricultural Machinery Institute	23,000	---
Saskatchewan Society for Prevention of Cruelty to Animals	30,000	31,500
Saskatchewan Forage Council	10,000	---
Saskatchewan Beef Quality Starts Here Program	<u>34,668</u>	<u>84,036</u>
	<u>3,108,311</u>	<u>2,870,875</u>
<u>Supplier Payments</u>		
Payees under \$50,000	<u>25,761</u>	<u>25,361</u>
Total	<u>\$ 3,140,843</u>	<u>\$ 2,902,721</u>